

# **Joint Legislative Audit and Review Commission**

## ***Annual Workplan Salary Scale Adjustments Quality Control Review May 12, 2003***



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### **WORKPLAN**

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### **SALARY SCALES**

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Opinion Letter
Letter of Comments

**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED 2004 WORKPLAN  
COMPARISON TO PRIOR YEAR WORKPLAN AND EXPLANATION  
FOR REDUCTION IN AUDIT HOURS**

TOTAL FY2004 WORKPLAN HOURS	144,440
PRIOR YEAR WORKPLAN (FY2003)	<u>167,073</u>
REDUCTION IN WORKPLAN FOR FY2004	<u><u>(22,633)</u></u>
 FY2002 WORKPLAN	 <u><u>176,723</u></u>

**Explanation of Workload Reduction:**

Budget cuts for the 2002-04 biennium have required the Office to reduce its workload and staffing level. We continue to use a risk model to determine where these reductions should occur. We are also developing risk assessment tools to better identify where to use our audit resources. We used the audit of the State's Comprehensive Annual Financial Report (CAFR) and the Statewide Single Audit of Federal Programs to determine where to focus our work. There are many agencies and institutions that have mandatory annual audit requirements. We have identified areas where we are able to reduce the scope of our work and have also initiated changes that have resulted in efficiencies and savings. There are 34 agency audits not included in this workplan which we plan to cover over the next three years. One-third or approximately 11 agencies will be added to this workplan during the year based on risk.

*Resources for agencies not in prior year workplan*

Using a risk-based approach to determine the scope and nature of audit procedures, we will audit or increase hours for certain audits not included in the prior workplan.	1,912
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*Savings from lower risk agencies*

Using a risk-based approach to determine the scope and nature of audit procedures, we will not audit 18 agencies included in the prior workplan.	(6,082)
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*Savings from reducing the scope of audit work*

Budget reductions require that the Office look at the scope of work being performed and the resources necessary. Using the risk model, we have further reduced the scope of our work performed at various agencies and institutions.	(8,059)
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*Audit efficiencies savings by changing our audit approach for certain agencies and institutions*

Higher education	(3,587)
Health and human services agencies	(1,577)
Finance agencies	(1,843)
Local governments, courts, and clerks	(3,750)
Other agencies	(2,447)

*Resources for agencies on 3-year cycle*

During the FY2004 workplan year, we will identify agencies to be audited in the first year of a 3-year cycle based on risk, prior audit findings, and unusual transactions and activities identified with risk assessment tools.	<u>2,800</u>
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Total reduction in workload	<u><u>(22,633)</u></u>
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**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED ANNUAL WORKPLAN  
FOR FISCAL YEAR 2004**

SPECIAL PROJECTS	11,339
JUDICIAL BRANCH	240
EXECUTIVE DEPARTMENTS	
Executive Offices	659
Administration	1,583
Commerce and Trade	2,575
Education	3,374
Education - Higher Education Institutions	38,630
Finance	19,127
Health and Human Services	11,798
Natural Resources	946
Public Safety	4,537
Technology	764
Transportation	6,223
INDEPENDENT AGENCIES	7,145
CYCLED AGENCIES (over 3 year period)	2,800
LOCAL GOVERNMENTS, CLERKS, AND COURTS	<u>32,700</u>
TOTAL WORKPLAN HOURS	<u><u>144,440</u></u>

# AUDITOR OF PUBLIC ACCOUNTS PROPOSED ANNUAL WORKPLAN FOR FISCAL YEAR 2004

## SPECIAL PROJECTS

Department of Motor Vehicles - Review of Cash Management Policies	1,220
<i>Objectives: To develop cost accounting system to document true total costs of DMV's activities and services. The system shall compare costs to revenues available to the Department.</i>	
Statewide Review of Performance Measures	700
<i>Objectives: To determine that state agencies are providing and reporting appropriate information on financial and performance measures, and to review the accuracy of the management systems used to accumulate and report the results (Code of Virginia Section 30-133B.).</i>	
eVA Implementation Review	800
<i>Objectives: To monitor the implementation of eVA, the Department of General Service's statewide electronic procurement solution, and review and determine the adequacy of eVA. The review will also determine eVA's compatibility with other agency and statewide systems. In addition, determine agency reliance on eVA, review both DGS and agency internal controls, and determine that the workflow and other controls are proper and monitored.</i>	
Small Purchase Charge Card Study	700
<i>Objectives: Identify and review all credit/charge card programs including SPCC, Voyager, VISA. Review any changes to the statewide SPCC procedures. Testwork would include review of unique or exception transactions, review of the Gold Card program, and additional reviews and testwork based on analysis of agency transactions.</i>	
Travel Card Study	250
<i>Objectives: Analyze statewide data obtained from the travel card vendor to identify duplicate travel reimbursements or other issues using travel data, SPCC data, and CARS data. To determine how agencies are monitoring travel card activity and that cards are used for state business in accordance with the travel guidelines.</i>	
Statewide Review of Agency-owned Vehicles	600
<i>Objectives: Determine if agencies have procedures to ensure that vehicles are maintained in accordance with Office of Fleet Management rules; whether agencies have proper justifications for purchasing and assigning vehicles; whether the agencies have procedures to monitor fleet vehicle use to ensure optimum use and efficiency; whether each agency has preventive maintenance procedures in place to ensure optimum performance of the vehicles; and to review accuracy of reporting requirements. In addition, compile a statewide list of all agency-owned or leased vehicles outside of the Central Fleet.</i>	
Statewide Review of Capital Outlay	475
<i>Objectives: To collect and analyze capital projects data at a statewide level to evaluate capital outlay in a uniform manner identifying patterns and trends; determine capital outlay weaknesses on a statewide level; determine if agencies complete projects on time and on budget; and whether agencies use design-build and other cost savings efforts.</i>	

# AUDITOR OF PUBLIC ACCOUNTS PROPOSED ANNUAL WORKPLAN FOR FISCAL YEAR 2004

Virginia Distribution Center	200
<i>Objectives: To provide consultation to the Department of General Services in accordance with item 80#1c of the 2003 Appropriation Act, as DGS undertakes a comparative analysis of the total costs associated with procuring, purchasing, warehousing, delivering and maintaining the food, janitorial, and other commodities required to operate a major correctional facility run by the Department of Corrections which utilizes the services of the Virginia Distribution Center with the costs associated with the same activities for a comparable prison not currently utilizing the Virginia Distribution Center.</i>	
Private Public Partnership Education and Infrastructure Act	200
<i>Objectives: To determine how the comprehensive agreements of the Public Private Partnership Education and Infrastructure Act (PPPEIA) are structured and what impact they may have on the Commonwealth.</i>	
Surplus Computer Equipment	240
<i>Objectives: To determine and test statewide policies for removing sensitive data on surplussed equipment or transferred data processing equipment.</i>	
Penetration Testing	220
<i>Objectives: To report findings as a result of penetration testing of agency information systems.</i>	
Agency Compliance with State Security Standards	60
<i>Objectives: To accumulate SEC2001 audits findings from individual projects and issue report to DTP as agreed upon.</i>	
Network Security	75
<i>Objectives: To accumulate and report findings as a result of testing of routers and firewalls in a statewide report.</i>	
DIT Service Bureau Review	475
<i>Objectives: To perform SAS 70 audit of policies and procedures of the Service Bureau, which is used by agencies for information systems data processing.</i>	
Review and Comparison of Master Custodian Agreements	75
<i>Objectives: To perform review of master custodians' internal control over safekeeping and custody for the Virginia Retirement System, University of Virginia, and Virginia College Savings Plan.</i>	
Review Effect of Commonwealth Competition Council Savings	40
<i>Objectives: To certify to the Comptroller the total new savings realized by state agencies in the preceding fiscal year as a result of Commonwealth Competition Council recommendations. Further, the Auditor of Public Accounts shall certify an additional five percent of savings from recommendations of the Council to be used for next generation technology development.</i>	

# AUDITOR OF PUBLIC ACCOUNTS PROPOSED ANNUAL WORKPLAN FOR FISCAL YEAR 2004

Systems Development - Council on Technology Services (COTS) Workgroup	350
<i>Objectives: To follow the COTS Workgroup that is seeking to propose an enterprise solution to replace the statewide systems (CARS, CIPPS, etc.)</i>	
Systems Development Projects	1,910
<i>Objectives: To monitor the systems development process over major systems to determine the projects are on schedule, on budget, and provide required functionality. This includes systems development projects for the Departments of Taxation, Transportation, Medical Assistance Services, and four other agencies, and seven higher education institutions.</i>	
Public Broadcasting Comparative Report	150
<i>Objectives: In accordance with the 2003 Appropriation Act, to develop a comparative revenue and financial report covering the Greater Washington Educational Television Association (WETA), the Hampton Roads Educational Telecommunications Association, Shenandoah Valley Educational Television Corporation, Blue Ridge Public Television, Inc., and Commonwealth Public Broadcasting, and provide such information to the Secretary of Administration and the Virginia Public Broadcasting Board so the findings of such report can be used to assist the Board and the Secretary in developing an appropriate and equitable formula for distributing the Community Service Grants.</i>	
Comparative Report - E911 Services	44
<i>Objectives: To summarize any findings reported to the Auditor of Public Accounts by independent certified public accountants auditing the E911 special revenue fund or cost center of local governments. (Code of Virginia Section 58.1-3813.1)</i>	
Truth-in-Fees Report	200
<i>Objectives: To accumulate information necessary to meet the requirements of Code of Virginia Section 2.2-813.1, which requires DOA to post any findings on a website from the APA that indicate any revenue source that was used for a purpose other than originally intended.</i>	
Public Safety Agencies	250
<i>Objectives: To prepare new report for agencies under the Public Safety Secretariat, which would summarize appropriations/actual revenues and expenses for these agencies. Report would provide analysis of budgetary changes and actual activity.</i>	
Tax Amnesty	60
<i>Objectives: To review the Department of Taxation's tax amnesty program as passed by the 2003 General Assembly (Code of Virginia Section 58.1-1840.1).</i>	
Council on Virginia's Future	250
<i>Objectives: To provide assistance to the Council on Virginia's Future as required under House Bill 2097 passed in the 2003 General Assembly.</i>	
Review of Self-Insurance Funds	400
<i>Objectives: To review the Commonwealth's self-insurance funds to determine the reasonableness of the funding requirements in comparison to the funding</i>	
Social and Medical Services Systems Review	415

**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED ANNUAL WORKPLAN  
FOR FISCAL YEAR 2004**

*Objectives: To conduct a risk assessment of the systems that house social and medical services programs to determine the risk of overpayments, potential fraud, and what connectivity exists between these systems.*

Risk Assessment Tools and Analysis

980

*Objectives: To develop risk assessment tools and identify risk levels, exception reporting, and analytical procedures to identify agencies and transactions that present higher risk for audit coverage. Information is data warehoused from the state's systems.*

Total Special Projects

11,339



**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED ANNUAL WORKPLAN  
FOR FISCAL YEAR 2004**

**JUDICIAL BRANCH**

Supreme Court	**
Public Defender Commission	**
State Bar Examiners	**
Virginia State Bar	240
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Total Judicial Branch	240
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**EXECUTIVE DEPARTMENTS**

**Executive Offices**

Governor, Lieutenant Governor, Cabinet Secretaries <sup>1</sup>	385
Attorney General and Department of Law	274
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Total Executive Offices	659
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**Administration**

Department of General Services	458
State Board of Elections	300
State Compensation Board	**
Department of Veterans' Affairs	350
Department of Charitable Gaming	75
Department of Human Resource Management	400
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Total Administration	1,583
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**Commerce and Trade**

Department of Agriculture and Consumer Services	**
Milk Commission	**
Virginia Economic Development Partnership	507
Department of Business Assistance	**
Virginia Employment Commission	1,650
Department of Professional and Occupational Regulation	**
Department of Housing and Community Development	48
Department of Mines, Minerals, and Energy	**
Department of Forestry	**
Department of Labor and Industry	**
Department of Minority Business Enterprise	200
Racing Commission	170
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Total Commerce and Trade	2,575
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**Education**

Department of Education	2,583
Virginia Commission for the Arts	200
State Council of Higher Education	**
Library of Virginia	**
Museums	**
Jamestown-Yorktown Foundation	150
Virginia Biotechnology Research Park Authority	441
Virginia Community College System	4,422
Christopher Newport University	1,358
George Mason University	2,478

**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED ANNUAL WORKPLAN  
FOR FISCAL YEAR 2004**

James Madison University	1,599
Longwood University	1,271
Mary Washington College	1,383
Norfolk State University	1,945
Old Dominion University	1,850
Radford University	1,363
University of Virginia	4,100
University of Virginia Medical Center	3,290
Southwest Virginia Higher Education Center	96
Virginia Commonwealth University	4,156
Virginia Military Institute	1,222
Virginia Polytechnic Institute and State University	4,531
Virginia State University	1,680
The College of William and Mary	1,886
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Total Education	42,004
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**Finance**

Department of Accounts/CAFR	8,753
Statewide Single Audit Report	1,200
Department of the Treasury <sup>2</sup>	3,533
Department of Planning and Budget	451
Department of Taxation	5,190
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Total Finance	19,127
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**Health and Human Resources**

Department of Health	2,988
Department of Medical Assistance Services	2,500
Department of Mental Health, Mental Retardation, and Substance Abuse Services	1,160
Department of Social Services	4,300
Department for the Aging	**
Department of Health Professions	**
Other Health and Human Resources Agencies <sup>3</sup>	850
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Total Health and Human Resources	11,798
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**Natural Resources**

Department of Game and Inland Fisheries	**
Marine Resources Commission	**
Department of Conservation and Recreation	310
Department of Historic Resources	**
Department of Environmental Quality	540
Chesapeake Bay Local Assistance Department	**
Potomac River Fisheries Commission	96
	<hr/>
Total Natural Resources	946
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**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED ANNUAL WORKPLAN  
FOR FISCAL YEAR 2004**

**Public Safety**

Department of Alcoholic Beverage Control	1,596
Department of Corrections	1,722
Virginia Correctional Enterprises	718
Commonwealth's Attorneys' Services Council	**
Department of Correctional Education	**
Department of Criminal Justice Services	**
Department of Fire Programs	**
Department of Juvenile Justice	**
Department of Military Affairs	**
Department of State Police	165
Department of Emergency Management	336
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Total Public Safety	4,537

**Technology**

Department of Information Technology	270
Innovative Technology Authority/Center for Innovative Technology	382
Virginia Information Provider Network Authority	112
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Total Technology	764

**Transportation**

Department of Transportation	4,333
Department of Motor Vehicles	900
Department of Rail and Public Transportation	**
Department of Aviation	**
Motor Vehicle Dealer Board	**
Virginia Port Authority	990
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Total Transportation	6,223

**INDEPENDENT AGENCIES**

State Corporation Commission	395
State Lottery Department	1,467
Virginia Retirement System	2,875
Virginia College Savings Plan	1,219
Workers Compensation Commission	**
Virginia Small Business Financing Authority	120
A.L. Philpott Center	**
War Memorial Foundation	100
Virginia Public Broadcasting	100
Wireless E-911 Service Board	136
Rappahannock River Basin Commission	**
Virginia Tobacco Settlement Foundation	210
Tobacco Indemnification and Community Revitalization Commission	225
Commonwealth Health Research Fund	**
State Board of Accountancy	88
Virginia Tourism Authority	90
Commercial Space Flight Authority	120
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Total Independent Agencies	7,145

**AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED ANNUAL WORKPLAN  
FOR FISCAL YEAR 2004**

\*\* These agencies would be subject to audit testing when identified using risk assessment tools as having unusual transactions representing higher risk. Should there be no unusual activity identified, we would audit these agencies on a three-year cyclical basis. We would include those in this workplan based on the results of prior audits and the risk assessment tools discussed earlier. 2,800

**LOCAL GOVERNMENTS, CLERKS, AND COURTS**

State Accounts (135)	3,940
Judicial Entities Circuit Courts (121), District Courts (200), General	
Receivers (24)	25,300
Comparative Report and Quality Reviews	<u>3,460</u>
 Total Local Governments, Clerks, and Courts	 <u>32,700</u>
 TOTAL WORKPLAN HOURS	 <u><u>144,440</u></u>

NOTES:

<sup>1</sup> *Office of the Governor* includes the Office of the Lieutenant Governor, Cabinet Secretaries, and Selected Agency Support Services, which include the Secretary of the Commonwealth, Virginia Veterans' Care Center, Interstate Organization Contributions, Virginia Liaison Office, Charitable Gaming Commission, and the Commission on Competitive and Equitable Tax Policy.

<sup>2</sup> *Department of the Treasury* includes the Virginia Public Building Authority, Virginia Public School Authority, Virginia College Building Authority and the Local Government Investment Pool.

<sup>3</sup> *Other Health and Human Resources agencies* include Department of Rehabilitative Services, Department for the Visually Handicapped, Department for the Deaf and Hard-of-Hearing, Department for the Rights of Virginians with Disabilities, and the Virginia Board for People with Disabilities.



# Commonwealth of Virginia

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

May 12, 2003

The Honorable Kevin G. Miller, Chairman  
and Members, Joint Legislative Audit and Review Commission  
General Assembly Building  
Capitol Square  
Richmond, Virginia 23219

Gentlemen:

Pursuant to Sections 2.2-2901 and 30-132 of the Code of Virginia, the Commission establishes the scales of pay and number of positions for this Office. The Commission last established the scales and positions on May 13, 2002. In accordance with Item 511, paragraph M.1. of the 2003 Appropriation Act, we request that our base salaries be increased by 2.25 percent on November 25, 2003 as shown on the proposed salary scales.

While we do not anticipate exceeding the authorized number of positions, the foregoing is subject to the usual understanding that this Office retains the flexibility to staff in excess of the authorized number of positions so long as the costs remain within our appropriation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Walter J. Kucharski", written over a horizontal line.

Walter J. Kucharski  
Auditor of Public Accounts

**COMMONWEALTH OF VIRGINIA  
AUDITOR OF PUBLIC ACCOUNTS  
PROPOSED SALARY SCALES**

**AUDIT AND AUDIT SUPPORT**

Position	<u>Number of Positions</u>		Present Scale	Proposed Scale
	2003	2004		Effective November 25, 2003
Deputy Auditor	1	1	\$71,190 - \$113,575	\$72,790 - \$116,130
Project Leader	16	14	54,500 - 111,700	55,725 - 114,215
Auditor	45	45	37,325 - 71,450	37,325 - 73,055
Staff	<u>82</u>	<u>84</u>	22,457 - 47,250	22,960 - 48,315
Total	<u>144</u>	<u>144</u>		

**ALLOCATION OF STAFF POSITIONS**

Audit	71	74
Audit Support	<u>11</u>	<u>10</u>
Total	<u>82</u>	<u>84</u>



# **NSAA**

## **National State Auditors Association**

STATE OF VIRGINIA  
OFFICE OF THE AUDITOR  
OF PUBLIC ACCOUNTS

REPORT ON THE SYSTEM OF AUDIT  
QUALITY CONTROL FOR THE PERIOD  
MARCH 1, 2002 THROUGH FEBRUARY 28, 2003





# National State Auditors Association

April 11, 2003

Walter Kucharski  
Auditor of Public Accounts  
Commonwealth of Virginia  
P.O. Box 1295  
Richmond, VA 23218

Dear Mr. Kucharski:

We have reviewed the system of quality control of the Auditor of Public Accounts (the office) in effect for the period March 1, 2002 through February 28, 2003. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with government auditing standards. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system, and the office's compliance with the system based on our review.

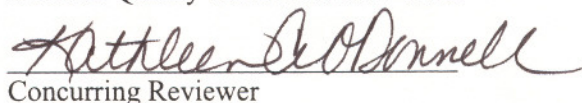
We conducted our review in accordance with the policies and procedures for external quality control reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for audits conducted in accordance with government auditing standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the Auditor of Public Accounts in effect for the period March 1, 2002 through February 28, 2003 has been suitably designed and was complied with during the period to provide reasonable assurance of conforming with government auditing standards.

  
Team Leader

National State Auditors Association  
External Quality Control Review Team

  
Concurring Reviewer

National State Auditors Association  
External Quality Control Review Team



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# NSAA

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## National State Auditors Association

STATE OF VIRGINIA  
OFFICE OF THE AUDITOR  
OF PUBLIC ACCOUNTS

SYSTEM OF AUDIT QUALITY CONTROL  
LETTER OF COMMENTS FOR THE PERIOD  
MARCH 1, 2002 THROUGH FEBRUARY 28, 2003





# National State Auditors Association

April 11, 2003

Walter Kucharski  
Auditor of Public Accounts  
Commonwealth of Virginia  
P.O. Box 1295  
Richmond, VA 23218

Dear Mr. Kucharski:

We have reviewed the system of quality control of the Auditor of Public Accounts (the office) in effect for the period March 1, 2002 through February 28, 2003 and have issued our report thereon dated April 11, 2003. That report should be read in conjunction with the comment in this letter, which was considered in determining our opinion.

Finding— GAGAS and AICPA Standards require that a record of the auditors' work should be retained in the form of working papers. GAGAS requires that working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

Our review found that these documentation standards were not consistently followed. For example:

- Internal control considerations did not always adequately document the effect of internal controls on substantive testing.
- Information to support certain conclusions was not clearly explained.
- Some audit procedures identified as samples did not contain the required sampling documentation elements.

Recommendation— The office should strengthen the quality control policies and procedures to ensure adherence to GAGAS and AICPA Standards on working papers.

Response - We concur and will strengthen our procedures to ensure consistent documentation.

Respectfully submitted,

Team Leader  
National State Auditors Association  
External Quality Control Review Team

Concurring Reviewer  
National State Auditors Association  
External Quality Control Review Team